News Release
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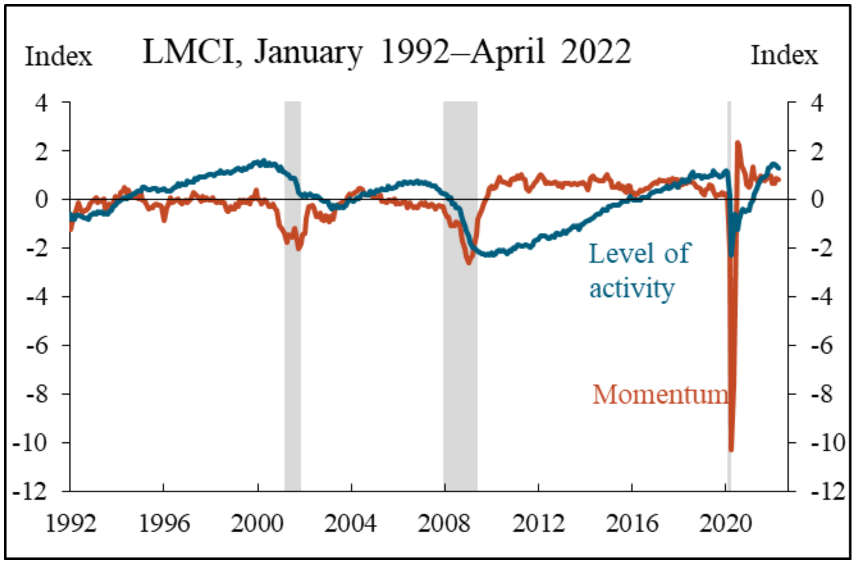
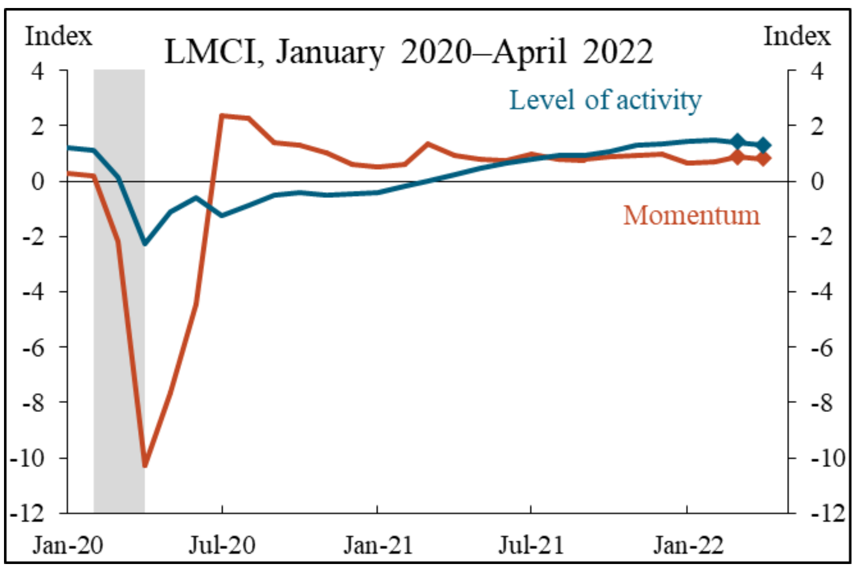
The KC Fed LMCI suggests the level of activity declined from historically high levels and momentum was little changed in April.

The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined and momentum was little changed in April. The level of activity indicator decreased by 0.11 in April from 1.40 to 1.29 but remained at a historically high level. The largest contributor to this decline was job flows from unemployment to employment as a percentage of the unemployed, which declined in April but remained above its historical average. Meanwhile, the momentum indicator was little changed in April at 0.81. Both indicators remained above their longer-run averages in April.





These readings likely do not fully describe the state of the labor market at the end of April, as many of the input data series reflect conditions early in the month. For example, data from the Bureau of Labor Statistics' Household Survey are from the reference period of April 10 through April 16. Additionally, the most recent data from the Job Openings and Labor Turnover Survey (JOLTS) are for March. Therefore, labor market developments in the latter half of April will likely show up in the May 2022 LMCI readings.

Largest Contributions to the LMCI	
Contributions to the increase in the *level of activity* indicator over the last six months	**Positive contributions to the *momentum* indicator in April 2022**
Unemployed 27 or more weeks	Expected job availability (U of Michigan)
Job leavers	Announced job cuts (Challenger-Gray-Christmas)
Unemployment rate (U3)	Aggregate weekly hours
Job flows from U to E	Initial claims
Unemployment forecast (Blue Chip)	Private nonfarm payroll employment

Note: Contributions are ordered from largest in absolute value to smallest.

The level of activity indicator has increased by 0.24 since October 2021. The table to the right shows the five labor market variables that made the largest contributions to this increase. Overall, 17 variables made a positive contribution to the change in the activity indicator over the last six months, and seven variables made a negative contribution. The largest positive contributor to the level of activity was the percent of total unemployed who had been unemployed 27 or more weeks, which declined from 32 percent in October 2021 to 25 percent in April 2022. The largest negative contributor to the level of activity was the three-month percent change in average hourly earnings for production and nonsupervisory employees, which rose 0.9 percent from January to April 2022. Although this growth is above historical norms (0.8 percent), it is about half as large as the earnings growth seen six months ago (1.8 percent). Thus, this moderation resulted in a negative contribution to the level of activity over the last six months.

The table also shows the five variables that made the largest positive contributions to the momentum indicator in April 2022. The momentum indicator was 0.81 in April. Overall, 18 variables made a positive contribution to momentum in April, and six variables made a negative contribution. The largest positive contributor was the University of Michigan's expected job availability index. In April, the index came in at 9. Readings above zero indicate that more respondents expect unemployment to decrease in the next year than expect it to increase. The largest negative contributor to momentum was the three-month percent change in average hourly earnings for production and nonsupervisory employees. As mentioned above, average hourly earnings rose by 0.9 percent from January to April 2022, above the series average of 0.8 percent. Historically, higher wage growth is negatively correlated with the LMCI's momentum indicator because higher wage growth is often associated with slower employment growth in subsequent months. Therefore, the reading of 0.9 percent results in a lower momentum reading. However, the typical relationship between the momentum indicator and wage growth may not hold during this labor market recovery, as robust wage growth has coexisted with strong employment growth. Thus, true momentum in the labor market may in fact be stronger than the momentum indicator suggests.